Coffee Update

World coffee production in 2003/04 is forecast at 107.1 million bags (60 kilograms or 132.276 pounds), down nearly 13 percent, or 15.6 million bags from the previous year. Most of the reduction is attributed to the substantial decline in Brazil's 2003/04 coffee production level. Brazil's production of coffee during 2003/04 is forecast at 33.6 million bags, down from 51.6 million bags in 2002/03. Mainly as the result of the lower crop in Brazil, total coffee supplies in 2003/04 are forecast at 136.2 million bags, down nearly 6 percent from the previous year. As a result of the decreased supplies, total coffee exports in 2003/04 are forecast at 86.9 million bags, down 2.1 million bags from 2002/03. In order to maintain even this level of exports during 2003/04, ending stocks for 2003/04 are forecast to decline to 20.7 million bags, down nearly 7 million bags from the previous year.

Partially offsetting the decline in Brazil's production in 2003/04 are some increases in key countries: Colombia, up 900,000 bags; Vietnam, up 500,000 bags; Mexico, up 300,000 bags; Ethiopia, up 250,000 bags; Honduras, up 200,000 bags; Thailand, up 143,000 bags; Kenya, up 132,000 bags; Peru, up 100,000 bags; Ecuador, up 100,000 bags; and Uganda, up 100,000 bags. Cote d'Ivoire's coffee production is still on the decline, forecast in 2003/04 at 2.4 million bags, down from 2.5 million bags in 2002/03. Other declines forecast for 2003/04 include: Burundi, down 262,000 bags; and Nicaragua, down 207,000 bags.

Brazil

Brazil's coffee production for 2003/04 is forecast at 33.6 million bags, down 35 percent from the 2002/03 crop (51.6 million bags). Arabica coffee production is projected at 23.3 million bags, a 41-percent drop from the previous season, and robusta production is forecast at 10.3 million bags, down 1.7 million bags. The significant reduction in production is mainly a consequence of expected lower yields, especially in the Arabica producing regions. For the 2002/03 crop, Arabica coffee trees were in the on-year of the biennial production cycle in most growing regions. Favorable weather conditions and good crop management resulted in record output not only in volume, but also in productivity (21.86 bags/hectares), stressing the trees. As a natural consequence, coffee trees are expected to be in the "off-year" of the production cycle for the 2003/04 crop. Depressed coffee prices also led to under-average crop management for many producing regions. Growers reduced their use of inputs (lime, fertilizer, chemicals) to cut costs. Weather-related problems occurred in major growing regions in Minas Gerais, Sao Paulo and Bahia, affecting blossoming somewhat and fruit setting in the second semester of 2002. Most recently, dry spells in Espirito Santo have also affected the production potential for that state. Depressed coffee prices led some producers to abandon their plantations, shifting to more profitable crops such as soybeans, corn, and sugarcane. In addition, coffee plantations countrywide were pruned and stumped as a result of the record yields obtained last season, thereby leading to a significant drop in production this season.

Brazil's Coffee Production

State/Variety	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
			(Million 60-kilogram bags)			
Minas Gerais	18.95	15.40	16.00	16.20	25.35	14.00
Southwest 1/	10.75	8.40	9.00	8.50	14.20	7.50
Central-western 1/	4.10	3.50	3.00	3.20	4.65	3.00
Southeast 1/	4.10	3.50	4.00	4.50	6.50	3.50
Espirito Santo	5.35	4.70	7.40	9.70	11.35	9.00
Arabica	2.15	2.00	2.60	2.20	2.85	1.90
Robusta	3.20	2.70	4.80	7.50	8.50	7.10
Sao Paulo 1/	4.20	3.70	3.60	3.20	5.75	3.20
Parana 1/	3.20	2.80	2.20	0.50	2.50	2.20
Others	3.90	4.20	4.90	5.50	6.65	5.20
Arabica	2.10	1.90	2.20	2.30	3.15	2.00
Robusta	1.80	2.30	2.70	3.20	3.50	3.20
Total	35.60	30.80	34.10	35.10	51.60	33.60
Arabica	30.60	25.80	26.60	24.40	39.60	23.30
Robusta	5.00	5.00	7.50	10.70	12.00	10.30

1/ Arabica.

Domestic coffee consumption for 2003/04 is projected at 14.9 million bags, green bean equivalent, up 500,000 bags from the previous year. Ground and roasted consumption is estimated at 14.1 million bags, while soluble coffee consumption is expected to contribute 800,000 bags. The population growth rate and campaigns to promote coffee consumption in Brazil are major factors leading to the expected increase in consumption.

Total coffee exports for 2003/04 are projected at 25.6 million bags, down nearly 12 percent from previous season, mainly due to the expected sharp drop in production, resulting in lower availability of the product. Coffee beans, roasted and ground, and soluble coffee exports should amount to 23.0 million bags, 100,000 bags, and 2.5 million bags, green bean equivalent, respectively.

Brazil continues to offer government-owned stocks through its auction system. The remaining auctions during 2003 will be held on June 11, July 16, August 13, September 17, October 16, November 12, and December 10.

Brazil: Auctions of Government-Owned Coffee Stocks

Date of Auction	Quantity Offered	Quantity Sold	Price Range
	60-kilogram bags		Brazil reais/bag
2002			
October 9	20,000	19,260	92.80-97.90
November 13	20,000	16,005	109.50-137.00
December 11	20,000	20,000	130.10-138.60
2003			
January 15	20,000	19,814	125.50-130.00
February 12	20,000	20,000	137.20-147.00
March 12	20,000	19,850	135.40-150.20
April 16	20,000	16,825	140.10-145.50
May 14	20,000	19,520	126.50-132.80

Colombia

Colombia's coffee production in 2003/04 is forecast to recover to 11.8 million bags. The higher production estimate than last year is based on the normal rebound after a drop in production (on-year cycle), as well as the recent recovery in the international price and entry of full production of new trees planted since 1998 under the coffee renovation program. The devaluation of the Colombian peso by approximately 30 percent (relative to the U.S. dollar) at a time of relatively low inflation (approximately 7 percent) has also improved the profitability of coffee production, although prices remain low by historical standards.

During 2002/03, production fell to 10.9 million bags, mainly due to the normal decline associated with the biannual production cycle. The fall in production was more pronounced due to the very low prices in 2002 (which had a negative impact on use of fertilizer and other inputs) and the replanting of older plants.

Colombia's exports of coffee during 2003/04 are forecast at 10.5 million bags, up from an estimated 9.87 million bags in 2002/03. Most of Colombia's coffee is produced for the export market; 94 percent is exported as green coffee beans, while the remaining is exported as roasted and soluble coffee exports.

Vietnam

Vietnam's 2003/04 coffee production is forecast at 10.75 million bags, up 5 percent from 2002/03, due to better weather, crop management, and improved yields. Assuming a more normal weather pattern in 2003/2004, yields are forecast to recover. Moreover, many of the smallholder coffee farmers find the current prices acceptable, and are expected to increase inputs (pruning and irrigation, but probably not fertilizer) for the next crop. The few large (mostly state-owned) coffee farms that must hire outside labor are still operating just at or below their costs-of-production. These large farms will continue to grow coffee, but are not expected to expend any additional funds in improving the crop (such as hiring labor to prune the trees).

United States

U.S. coffee stocks at the end of April totaled 6.37 million bags, up 104,154 bags from the March 31, 2002, level. Details follow in 60-kilogram bags.

U.S. Coffee Stocks

Location	March 31	April 30	Difference
New York	1,909,353	2,002,177	92,824
New Orleans	1,859,112	1,776,353	(82,759)
Jacksonville	177,480	182,254	4,774
Miami	1,392,195	1,432,104	39,909
Houston	349,901	367,159	17,258
Laredo	103,983	116,565	12,582
Port Everglades	6,000	5,500	(500)
San Francisco	327,635	326,175	(1,460)
Los Angeles	6,026	10,526	4,500
Seattle	0	0	0
Norfolk	130,023	148,338	18,315
Philadelphia	7,157	5,868	(1,289)
Baltimore	0	0	0
Total	6,268,865	6,373,019	104,154